

Message Text

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ORIGIN COME-00

INFO OCT-01 ARA-10 ISO-00 AID-05 CIAE-00 EB-07 FRB-01

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ARA/NC:TSONANDRES (INFO)

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R 110001Z SEP 75

FM SECSTATE WASHDC

TO AMEMBASSY CARACAS

UNCLAS STATE 215766

E.O. 11652: N/A

TAGS: BEXP, VE

SUBJECT: TACAO THERMAL POWER PROJECT, EDC

REF: CARACAS 9144

1. T;E FOLLOWING CONFIRMS PHONECON BETWEEN D. LU (COMMERCE) AND H. MUELLER (EMBASSY CARACAS) ON SEPTEMBER 5. THE U.S. MANUFACTURER MENTIONED IN REFTEL IS BABCOCK AND WILCOX. COMMERCE MEPD CONTACTED B AND W INTERNATIONAL DIVISION IN NEW YORK AND PASSED EMBASSY INFORMATION RECEIVED FROM THE PRESIDENT OF LA ELECTRICIDAD DE CARACAS.

B AND W AS QUITE SURPRISED TO HEAR COMMENT ABOUT EDC'S "LEANING TOWARDS' B AND W'S 50 MILLION DOLLAR OFFER SINCE B AND W HAS INFORMATION TO T;E CONTRARY. WE SUGGESTED TO B AND W TO CONTACT EMBASSY CARACAS DIRECTLY
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TO FIND OUT MORE ABOUT THE EMBASSY CONVERSATION WITH PRESIDENT, EDC.

2. BACKGROUND: B AND W IS THE ONLY U.S. FIRM THAT BID

THE BOILER FOR TACAO PROJECT. BESIDES THE JAPANESE, BIDS WERE ALSO RECEIVED FROM CANADA, GERMANY, U.K., AND FRANCE. B AND W REPORTED THAT ITS BID PRICE (APPROXIMATELY 55

MILLION DOLLAR) WAS WITHIN THE PRICE RANGE OF THE CANADIAN AND EUROPEAN BIDDERS. HOWEVER, THE JAPANESE BID WAS 25 PERCENT BELOW THE B AND W PRICE. ALSO,

THE JAPANESE BID FIRM PRICE WHERE AS THE OTHER BIDS WERE SUBJECT TO ESCALATION. B AND W SAID THE JAPANESE ABILITY TO BID FIRM PRICE WOULD EFFECTIVELY GIVE THE JAPANESE AN OVERALL PRICE ADVANTAGE OF 40 TO 45 PERCENT OVER THE OTHER BIDDERS. FURTHER, B AND W SAID THAT THE JAPANESE FINANCING OFFER FOR THIS EQUIPMENT HAS BEEN EVALUATED 20 PERCENT BETTER THAN THE B AND W FINANCING OFFER.

3. NOT WITHSTANDING THE ABOVE SITUATION, B AND W HAS INFORMED COMMERCE THAT THEY HAVE BEEN QUITE ACTIVE IN VENEZUELA PURSUING THIS IMPORTANT PROJECT AND PLANS TO FOLLOW-UP VIGOROUSLY THE REFTEL REPORT. WE WOULD APPRECIATE EMBASSY CONTINUING REVIEW OF THE STATUS OF THIS PROJECT. KISSINGER

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